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Foreign
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Malta: A Nation in Transition

An Intelligence Assessment

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**Malta:
A Nation in Transition**

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Overview

When the last elements of the British military left Malta on 31 March, the islands made a clear break with their past and embraced a less certain future. Because of their location between Sicily and Libya, the Maltese islands have been at the center of Mediterranean empire-building for more than 2,000 years. Malta's importance arises from the fact that it not only has excellent harbors but also lies at the intersection of all major maritime routes in the Mediterranean. The Maltese requested British occupation during the Napoleonic Wars; Britain's departure—also at Malta's request—concludes approximately 180 years of military association between the two countries.

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The British exit will have profound economic, political, and social consequences. Maltese Prime Minister Dom Mintoff has called it "Malta's date with destiny." But that destiny is clouded with uncertainty because of the dramatic changes in store for the Maltese. The country will no longer be a bastion for any foreign power, especially if Mintoff is successful in his efforts to maintain military neutrality. But his grand design of securing economic assistance in exchange for Malta's pledge of neutrality, guaranteed by West European and Arab powers, has so far failed.

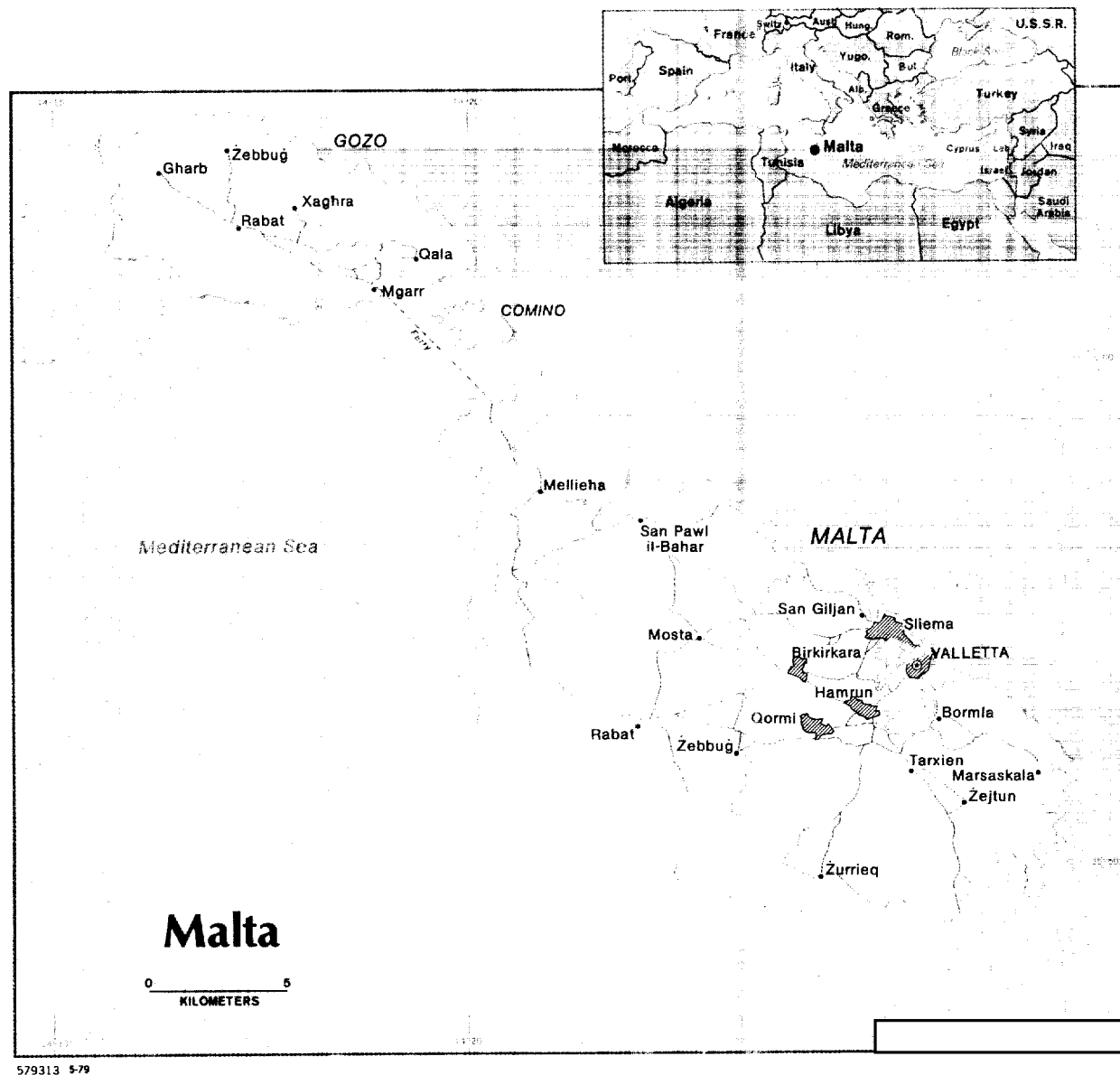
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**Malta:
A Nation in Transition*****The Historical Legacy***

The Maltese take great pride in their accomplishments during World War II. Although under heavy air attack, British forces operating from Malta succeeded in reducing supplies to Rommel's Africa Corps, sinking 75 percent of Germany's supply ships in 1941. Historians believe that this decided the outcome of the battle for North Africa. King George decorated the Maltese people for their bravery and perseverance in the war—a tribute they still cite and cherish. The war thus strengthened the bond between the Maltese and British—in sharp contrast to the independence movements unleashed by the war in other parts of the colonial world. One of Dom Mintoff's first major political missions in the mid-1950s involved an attempt to negotiate the integration of Malta with Britain.

Mintoff's broad objective was to maintain local self-government, while securing the benefits of the British welfare system for the Maltese people. But the British viewed Mintoff's demands as excessive, and their early enthusiasm for integration was further dampened by the inconclusive results of a Maltese referendum on integration. The electorate endorsed the concept but with such a high abstention rate that the vote was viewed as meaningless.

When it became clear that integration was a dead issue, Mintoff decided that the best course for his Maltese Labor Party was independence—a course that until then had been advocated only by his staunch opponents, the Maltese Nationalist Party and the Catholic Church. In the meantime, the British resumed direct rule in 1958—largely to quell increasing political violence—but within a short time allowed the Nationalist opposition to form a government. The Nationalist Party went on to win elections in 1962 and 1966 with the strong support of the church.



Prime Minister Mintoff

With both major parties supporting independence, Britain granted that right in 1964 and negotiated a 10-year agreement that allowed the British to continue stationing their forces on the islands. In exchange, the Maltese received \$140 million in aid over the life of the agreement, along with the right to be consulted if the British substantially reduced their forces on Malta.

Despite the consensus on independence, successive Nationalist governments drew strong opposition from Mintoff and the Labor Party in the 1960s. One feature of this period was growing unrest in the Maltese labor movement, which was closely allied with Mintoff. Britain also added to the Nationalists' troubles by severely cutting its troop strength in Malta as part of a worldwide pullback. Britain did so without consulting the Maltese as provided in the 1964 agreement—a move that prompted threats by the Nationalists to abrogate the agreement.

* Photograph from Wide World.

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The 1971 Election—A Turning Point

Reaction to the troop cutback and Britain's newly parsimonious attitude on aid for Malta raised serious questions about the future of Maltese-British relations and made the 1971 election a forum for debating Malta's basic foreign policy orientation and economic policies. Mintoff's campaign was dominated by a neutralist approach to foreign policy: he advocated the eventual departure of all foreign military forces from Malta and called for a Mediterranean free of super-power influence. On domestic questions, Mintoff's socialist outlook was expressed in his emphasis on increased governmental influence in the formulation of economic policy. [REDACTED]

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Despite their troubles with the United Kingdom, the Nationalists maintained a pro-Western foreign policy stance. They argued that Malta's long-term interests would still be best served by a close association with the West—including a continued British presence on Malta. The Nationalists' domestic policy centered on their advocacy of free enterprise and their call for increased foreign and domestic private investment to stimulate Malta's economy—essentially the same line they pursued during their previous 10 years in office.

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[REDACTED]

Mintoff's Labor Party won a razor-thin victory, emerging with a one-seat majority in Parliament. Mintoff was able to convey a sense of a new, more independent direction for Malta in foreign policy. And he projected an image of political dynamism that contrasted vividly with that of Nationalist leader Borg Olivier, who was perceived as weak and indecisive. The high unemployment rate helped Mintoff, but he also benefited from the new position of the Catholic Church. Previously, the Church had endorsed the Nationalists, while publicly denouncing Mintoff from the pulpit and threatening to excommunicate anyone who voted for him. This time—[REDACTED] the church adopted a lower profile in domestic politics. [REDACTED]

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The election results signaled a basic change in Maltese foreign policy. In his campaign, Mintoff promised to force Britain to pay more for base rights and eventually terminate those rights; to sever Malta's unofficial links with NATO; and to pursue a nonaligned foreign policy. [REDACTED]

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The elections were followed almost immediately by Maltese-British negotiations for a new base agreement, made necessary by Mintoff's abrogation of the former agreement. The negotiating process was long, tedious, and acrimonious. The talks were finally concluded in March 1972 with these results:

- Britain and its NATO allies agreed to pay about \$35 million a year in base rental fees.
- The agreement was to run for a period of seven and a half years—until 31 March 1979—at which time the agreement would terminate.
- Warsaw Pact ships were to be denied use of Maltese facilities. [REDACTED]

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Countdown to Withdrawal

Borg Olivier and Mintoff contested for power again in 1976, and, as before, the Catholic Church remained publicly neutral. The Maltese electorate demonstrated its acceptance of Mintoff's policies, rewarding the Labor Party with a three-seat majority in Parliament. Given the iron discipline of his party, Mintoff now had absolute control of the legislature. At this point, Mintoff began to focus more seriously on a strategy to cope with the economic and security implications of the British withdrawal. His essential problem was how to develop the economy to the point where it could cope with the departure of the British, who were pumping \$70-80 million annually into the Maltese economy. And the main card he had to play was Malta's strategic value to the West. [REDACTED]

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But Mintoff's task was made more difficult by two conditions he helped create. When he negotiated the termination of the West's right to use Maltese facilities, he had made it easier for the West to shrug off Malta's strategic value; unable to use Malta, the West wanted only to deny it to the Soviet Union. Secondly, during Mintoff's administration the Maltese economy greatly improved, making it more difficult to convince the West Europeans that he needed the amount of money he was demanding. [REDACTED]

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For the past two years, Mintoff has tried to arrange a written pledge of neutrality for which four nations—Italy, France, Libya, and Algeria—would be the guarantors. Asserting that Maltese neutrality would benefit the guarantors, he demanded that they give Malta \$70-80 million a year in cash for five years to compensate for the loss of British base payments. Mintoff claimed that this would enable Malta to become self-sufficient at the end of the period. [REDACTED]

The negotiations quickly ran into trouble. The West Europeans rejected direct budgetary assistance, although they expressed a willingness to give technical aid and long-term loans. Algeria stated that, while it supported Mintoff's political objectives, it could not contribute financially. Libya praised Mintoff publicly, hinting a readiness to come to his rescue, but remained silent about specifics. [REDACTED]

Faced with this outcome, Mintoff turned again to pressure tactics to push the negotiations in the desired direction. To threaten the West Europeans, he repeatedly claimed that talks were going well with the Libyans and that West European footdragging would ultimately force Malta to form a closer association with Libya. [REDACTED]

In general, the negotiators found it easier to agree on the neutrality issue than on economic aid to Malta.¹ This probably reflects the convergence of Qadhafi's desire for reduced superpower influence in the Mediterranean and the West European desire to deny the Soviets military access to Malta. [REDACTED]

¹ The neutrality agreement as presently worded would exclude the superpowers and their allies from Maltese facilities. The United States has encouraged the negotiators to amend the wording to exclude specifically the superpower navies and their auxiliary ships but not the ships of their allies. This would be more advantageous to the West because the NATO naval forces are larger than their Warsaw Pact counterparts. [REDACTED]

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Mintoff, albeit grudgingly, that a foreign military presence is not necessary for Malta's economy and that Malta should not be associated with military alliances. The Nationalists also share Mintoff's desire that Malta play an important role in the Mediterranean—an ambition that requires close contact with the Arab world. Philosophically, however, the Nationalists oppose the general thrust of Mintoff's foreign policy, particularly his desire to see a reduction in US as well as Soviet presence in the Mediterranean. They assert that the Soviet Union is a much greater menace than the United States.

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There is no indication that Qadhafi is inclined to substantially increase the amount of aid to Malta. For the moment, his interest lies in preserving the greatest possible amount of financial leverage over his neighbor. That aim is best served by doling out his assistance in tantalizing dribbles rather than in one or two large servings.

In terms of international economic policy, the differences between Mintoff and the Nationalists are a little more clear-cut. Although Mintoff has negotiated an association agreement with the European Community, the Nationalists favor Malta's full membership in the EC. They believe this would not only benefit Malta's economy but also ensure Malta's continued close association with Western Europe's intellectual, spiritual, and political heritage.

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The strains in Malta's current relations with Western Europe leave Mintoff open to Nationalist criticism. He not only has been unable to secure the aid from Western Europe he desires, but also has engaged in other quarrels that could lead to a further deterioration in relations. He is involved in a dispute with the EC over export quotas for Maltese products, mainly textiles, and has retaliated against Community restrictions by refusing to import certain EC—mainly British—products. Even more important, Mintoff recently expelled the Italian military mission over an imagined diplomatic slight even though the Italians have traditionally been Malta's most steadfast supporters on the international scene. Mintoff maintains that Malta does not need protection after the British depart, but the Maltese are now defenseless against a determined military assault.

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Mintoff's Domestic Position

On many key issues the two parties are not far apart, and Mintoff's dominance in Maltese politics tends to blunt the opposition. Originally, the Nationalists favored a continued British presence and even raised the possibility of NATO membership for Malta. Now, under the influence of Mintoff's policies—and the apparent acceptance of these policies by the Maltese public—the Nationalists have come to agree with

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The Nationalists should be able to exploit the diplomatic errors Mintoff has made recently, but the party leadership has never been particularly adept at countering Mintoff's maneuvers. Moreover, the Nationalists have long been plagued by serious leadership problems. Borg Olivier, party chief until 1977, was consistently outmaneuvered by Mintoff and was twice defeated at the polls. Some had hoped that a change in leadership would help Nationalist fortunes, but the current leader, Edward Feneche Adami, has seldom been able to put Mintoff on the defensive. When the Labor government published its new budget early this year, Feneche Adami's failure to exploit its weaknesses led some observers to maintain he did not even understand the budgetary process; most commentary on the budget characterizes it as a sham document with an orchestrated deficit of 28.5 million Maltese pounds. Mintoff's maneuvers to create that deficit are transparent, because social services were vastly increased while credits that would have reduced the budget deficit—for example, profits from central bank transactions—were not included. [REDACTED]

The Economy: Flourishing But Vulnerable

Although it is easy to find fault with Mintoff's diplomacy, the economy has done well during his administration. As indicated earlier, the economy's success has contributed to the West Europeans' reluctance to meet his demands. [REDACTED]

The Maltese economy shows strength in all major indexes. In 1978, real gross domestic product jumped 11 percent over 1977. Exports climbed 9 percent in value over the same period, while imports expanded only 1 percent. Official unemployment dropped from 4.2 percent to 3.5 percent. Tourism also increased substantially in the same period. Even Malta's drydock, the country's largest employer and for some time a potential weak link in the economy, increased its business by 36 percent over 1977. These strengths contribute to a solid international trade picture for Malta. Complete data for 1978 show a significant balance-of-payments surplus. Malta's international reserves are also strong. Last year, holdings of foreign currency and gold amounted to nearly \$1 billion—equivalent to almost two years of imports. [REDACTED]

Unemployment is the most politically sensitive economic problem facing Mintoff. His domestic political strength depends on the Maltese labor movement—specifically the unions that control the drydocks. As a result, Mintoff would undoubtedly move very quickly to alleviate a rapid increase in unemployment. As of now, however, it does not appear that Malta's unemployment will cause Mintoff serious political problems. Of Malta's 123,000 workers, only about 4,000—3.3 percent—are officially unemployed. [REDACTED]

That statistic, however, does not tell the whole story. For years, Mintoff has used a government-funded job corps to absorb the unemployed. Currently about 6,500 workers—5 percent of the work force—are in the job corps, employed for the most part productively. Although these workers are technically employed, they may remain in the job corps for only two years, after which they must either find a job or be counted as officially unemployed. The Nationalists have protested that Mintoff's unemployment statistics are doctored for political reasons, but they have produced no evidence to substantiate their charges. [REDACTED]

It is not likely that the closure of the British bases will affect the unemployment picture markedly. Many of the base employees will retire under British pensions. Those possessing usable skills will be absorbed into the Maltese economy. The rest will receive generous unemployment benefits from the Maltese Government. Besides, many who receive such benefits work part time and do not report their employment. [REDACTED]

It is important to note that, despite all the indicators of strength, the Maltese economy remains extremely vulnerable to international developments. A new recession in the West, an oil embargo, or a rise in protectionism could easily lead to a sharp downturn in Malta's prospects. [REDACTED]

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Outlook

At least in the short term, Mintoff will probably keep the upper hand in Maltese domestic politics. He has outwitted his opposition for the better part of 30 years—a record that may be reversed, but only slowly. And he can legitimately point to the strengthening of the Maltese economy, enabling it to survive without a foreign military presence—a development that appeals to Maltese pride. [REDACTED]

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But the major Maltese foreign policy question remains: Can the Soviets gain a foothold on the islands? Moscow has made clear that it has a strong interest in Malta, hoping that closer diplomatic and commercial relations will be the first step toward establishing a meaningful presence and eventually securing wider use of Maltese facilities. The Soviets would undoubtedly like to secure broad access to Maltese facilities for their Mediterranean Squadron. Given the Soviets' limited access to port facilities in the Mediterranean, any sort of access to those in Malta would be welcome. Malta's geographic location makes it especially attractive, and the island offers a variety of well-developed support facilities. The port at Valletta provides deep, protected, and modern accommodations for large ships, as well as an extensive ship repair capability. The Luqa airfield has the second longest runway in the central Mediterranean. Sizable facilities for fuel storage are available at both the port and the airfield. [REDACTED]

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Realistically, the Soviets' objective in Malta probably is permission for routine port visits, replenishment support, and possibly, some repair services. The Soviet Navy does not depend heavily on permanent overseas facilities to support its deployments; most replenishment is provided by auxiliaries and naval-associated merchant ships that regularly call at Mediterranean ports for food and water, but only rarely for fuel. Most repairs are accomplished by Soviet repair ships in sheltered anchorages, although a few ships are overhauled on a regular basis at shipyards in Yugoslavia and Tunisia. [REDACTED]

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The Soviets reaffirmed their interest earlier this year by sending delegations to Valletta to negotiate for increased access to Maltese facilities and to press for new diplomatic and commercial agreements. Despite their strong interest, the Soviets have given no indication that they are inclined to accept the strict limitations that Mintoff would impose on their presence and activities. The January negotiations ended in stalemate when Maltese officials rejected their demand that formal agreements between the two governments—including the establishment of a Soviet resident staff on the islands—precede the conclusion of commercial accords. [REDACTED]

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Moscow considers this the minimum condition for expanded relations and appears unwilling to accept anything less. The Soviets evidently believe they can afford to be patient with the Maltese, continuing the dialogue and continuing to probe. And they are mindful that a strong Soviet presence in the islands—particularly if military-related activity was involved—would arouse concern in West European capitals and in Washington. [REDACTED]

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Even though the prospects for an expanded Soviet presence seem slim at the moment, the outlook for maintaining Malta's Western orientation over the long term is less certain. Libya's growing influence in Malta and the country's dependence on Libya for military supplies are unchallenged by any Western nation. [REDACTED]

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Qadhafi does not seem to have any specific design for Malta, and he is not inclined to give Mintoff the blank check the Maltese leader would like to wave at the West. There are no indications that Qadhafi intends to ask for much more than he is currently getting: a certain degree of influence over Malta's domestic affairs, a suitably "neutral" slant in international policies, and a pro-Arab stance on issues of concern to Qadhafi. [REDACTED]

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There is little likelihood that Qadhafi will accept the role of Soviet surrogate in Malta. His interests parallel the Soviets to a certain extent, and some of his activities in pursuit of Libyan goals will be welcome to them. Despite his ties to the Soviets, however, Qadhafi is committed to nonalignment. He has been careful to structure his dealings with the USSR to guard against Soviet leverage, buying arms for cash in quantities that reduce the importance of a flow of spare parts and isolating and monitoring the activities of Soviet advisers and their dependents. There is thus no reason to believe that he would facilitate an enhanced Soviet role in Malta. [REDACTED]

Even if Libya's leadership and policies changed in ways that allowed its influence to be translated into a significant Soviet presence in Malta, such a development would probably be strongly opposed by the Maltese and would also incur the wrath of the powerful Catholic Church. [REDACTED]

The British presence in Malta restrained Mintoff, making it difficult for him to play effectively on Western concerns about a possible hostile presence on the islands. Without that restraint, the major factor inhibiting Mintoff's behavior will be his desire to be reelected to another five-year term in 1981. If the Maltese economy were to weaken either before or after the election, Mintoff would be more vulnerable to Soviet or other overtures, particularly if the aid negotiations with the West Europeans continue to

founder. Mintoff's consistent opposition to superpower presence in the Mediterranean and in Malta itself may be increasingly subject to change over time—particularly in light of his willingness to be inconsistent when it suits his purpose. [REDACTED]

Thus, as Malta moves beyond its "date with destiny," it is also entering a period of unprecedented uncertainty. The uncertainties stem mainly from two interlocking diplomatic failures. On the one hand, Mintoff—despite mighty if sometimes misdirected efforts—has failed to create conditions that would allow Malta to enter a new era with its security, independence, and economic welfare assured. On the other hand, Western diplomatic efforts have also failed, because after years of complex negotiations there is still no arrangement that by treaty denies to the Soviets the use of Malta's strategically located naval facilities. [REDACTED]